

# **EXHIBIT 1**

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 10-K**

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE FISCAL YEAR ENDED JULY 31, 2004

**OR**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

COMMISSION FILE NUMBER 0-20008

**FORGENT NETWORKS, INC.**

(f.k.a. VTEL Corporation)

A DELAWARE CORPORATION

IRS EMPLOYER ID NO. 74-2415696

108 WILD BASIN ROAD  
AUSTIN, TEXAS 78746  
(512) 437-2700

**SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:**  
NONE

**SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:**  
Common Stock

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act).

Yes ☐ No ☒

Indicate by check mark if disclosure of delinquent filings pursuant to Item 405 of Regulation S-K is not contained herein and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K, or any amendment to this Form 10-K. ☒

The aggregate market value of the 20,772,839 shares of the registrant's Common Stock held by nonaffiliates on January 30, 2004 was

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“Management’s Discussion and Analysis of Financial Condition and Results of Operations of the Company – Results of Operations” for more detail.

## Patent Licensing Program

To date, the Company has signed several license agreements with international consumer and commercial electronics firms. As a result of pursuing license agreements related to the ‘672 patent, Forgent’s Patent Licensing Program has aggregated over \$94.5 million in intellectual property licensing revenues since inception of the program as of July 31, 2004. The Company expends significant efforts and expenses identifying potential licensees and negotiating license agreements. During the negotiations, the Company typically seeks consideration for sales made prior to the effective date of the license agreement, as well as a license fee or royalties for future sales. Additionally, most of Forgent’s license agreements to date are fully paid upon signing and do not require further payments. Management expects that most new license agreements will follow this model.

Forgent recognizes intellectual property licensing revenues and the related cost of sales in the period the license agreements are signed. The cost of sales on the intellectual property licensing business relates to the legal fees incurred on successfully achieving licensing revenues. Historically, Forgent’s fee arrangement with its counsel engaged in connection with Forgent’s Patent Licensing Program was based on a percentage of the licensing revenues received on signed agreements. The payment was based on a sliding scale that began during the quarter ended April 30, 2002 at 35% and increased to 50% based on the aggregate recoveries achieved. On October 27, 2004, Forgent formally terminated its counsel and is currently in discussions with the law firm regarding the termination. Forgent has engaged new counsel to advise it in connection with its Patent Licensing Program and is working with both counsels to ensure a timely and efficient transition in legal services. Presently, the Company has not yet finalized a new fee agreement with its new counsel.

In addition to the current litigation as discussed in the following “Litigation” section, Forgent will continue to pursue license agreements with targeted companies, whether or not named in the litigation. Since the end of fiscal 2004, Forgent has obtained additional licensing revenues and the Company is continuing to actively seek to license other users of its technology. Although management anticipates signing more patent license agreements with other companies from various industries, there can be no assurance that additional licenses can be obtained or, if obtained, that any new license agreements will be on similar or favorable terms. Additionally, the timing of signing the license agreements and the timing of the litigation results continue to pose forecasting challenges, which inevitably causes peaks and valleys in the Patent Licensing Program.

Forgent’s Patent Licensing Program involves risks inherent in licensing intellectual property, including risks of protracted delays, legal challenges that would lead to disruption or curtailment of the licensing program, increasing expenditures associated with pursuit of the program and other risks that could adversely affect the Company’s licensing program. Additionally, the ‘672 patent expires in October 2006 in the United States and its foreign counterparts expire in September 2007. Thus, there can be no assurance that the Company will be able to continue to effectively license its technology to other companies. Additionally, there are no guarantees that the Company can protect its intellectual property rights in its current litigation or prevent the unauthorized use of its technology in the future. However, Forgent will continue to enforce and pursue its rights through the legal system when necessary.

## Litigation

During fiscal year 2004, Forgent initiated litigation against 31 technology companies for infringement of its ‘672 patent (the “‘672 Litigation”). In August 2004, the Company added 11 more technology companies. Although the Company previously offered to provide a license of the ‘672 patent to these companies, including Canon USA, Dell Incorporated, Google Inc., International Business Machines Corp., Toshiba Corporation and Xerox Corporation, none of the defendants chose to do so. Several defendants have sued Forgent, claiming, among other assertions, that their products do not infringe Forgent’s patent and that the patent is invalid. Thus, the litigation process of discovery and exchanging information and documents on infringement, invalidity and damage contentions, is ongoing. Management believes the litigation process is on track and has not discovered any new information that would lead the Company to change its current plans. Due to uncertainties inherent with litigation, management is unable to accurately predict the ultimate outcome. Forgent anticipates that it will continue to incur significant litigation costs and there can be no assurances that the Company will be able to recover these costs.